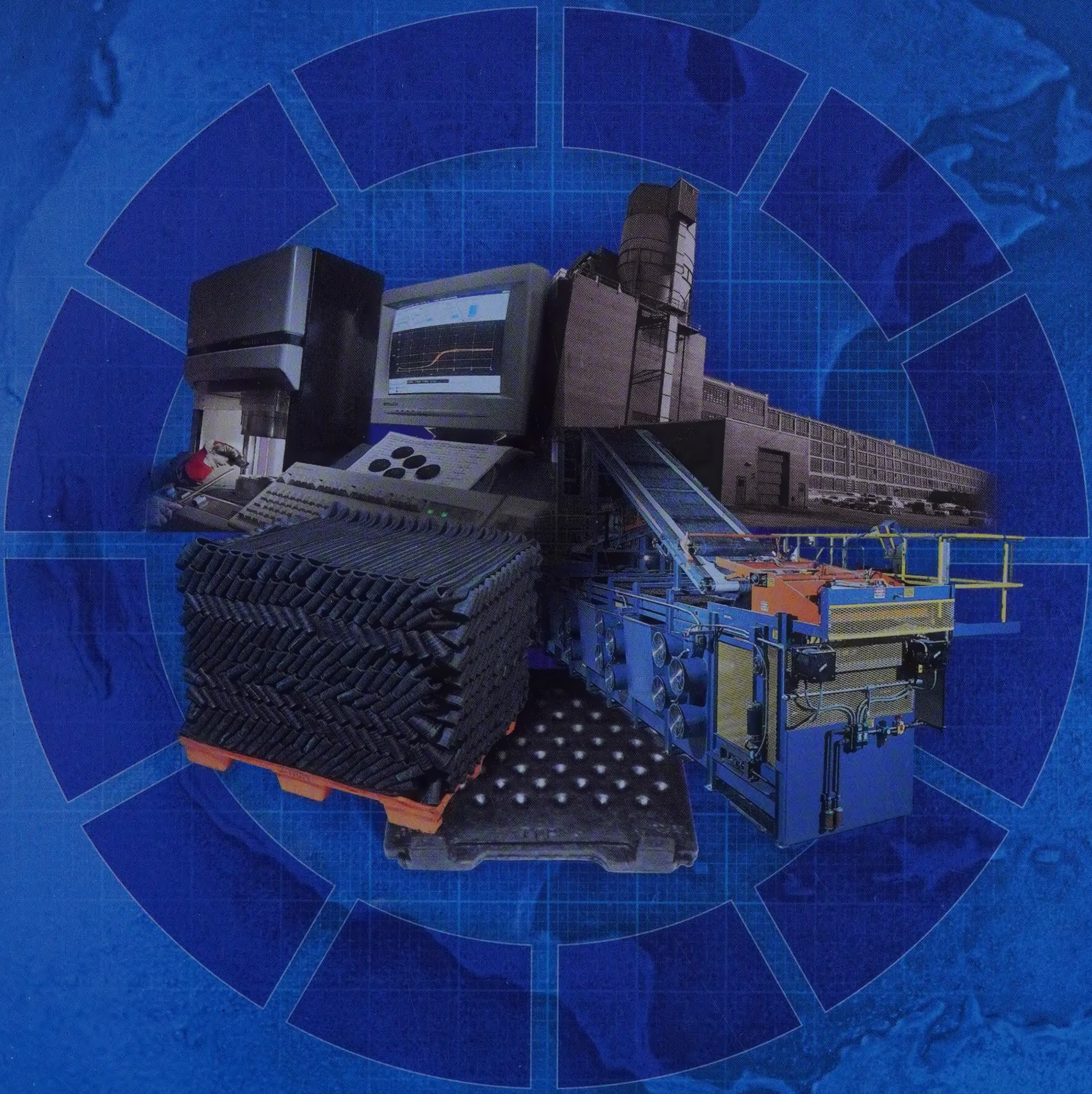
AIRBOSS OF AMERICA CORP. | 2000 ANNUAL REPORT



company overview

AirBoss of America Corp. develops, manufactures and sells high quality, proprietary rubber-based products offering enhanced performance and productivity. The Company is focused on the manufacturing of quality rubber compounds as well as specialty rubber and plastic moulded products.

AirBoss is one of North America's largest custom rubber mixers with a capacity to supply over 200 million pounds of rubber annually to a diverse group of rubber products manufacturers.

AirBoss engineers and moulds rubber and plastic products for the transportation and industrial markets as well as for its own proprietary designs of military protective wear, commercial footwear and tires.

contents

2000 financial highlights

(millions, except share and per share)	2000	1999
Value of Goods Produced and Sold	**$ 159.4**	$ 147.6
Net Sales	**138.0**	120.1
Gross Margin	**28.4**	28.0
Net Income	**2.7**	7.4
Cash Flow	**8.9**	14.4
Shareholders' Equity	**$ 56.5**	$ 53.8
Number of Shares Outstanding	22,499,423	22,629,573
Per Common Share		
Net Income		
– Basic	**0.12**	**0.35**
– Fully Diluted	**0.12**	**0.34**
Cash Flow (weighted)	**0.39**	**0.67**
Return on Equity	**5%**	**17%**

LETTER TO SHAREHOLDERS

Most of the year 2000 was categorized as one of re-focus and re-organization as the Company faced changing and uncertain markets and increasing raw material prices. These weakened market conditions are expected to persist in 2001. Changing markets also create opportunity, and accordingly we have focused on diversifying our markets in the rubber compounding and moulding divisions and production efficiencies. Our niche market businesses, such as railway products and industrial protective wear, grew substantially during 2000 and are expected to continue to do so in 2001.

Rubber Compounding | The rubber industry in North America is dominated by the tire companies. Tires account for approximately 50% of the more than 8 billion pounds of rubber consumed annually in North America and 30% (36% in 1999) of our custom rubber compounding business. Tire companies enjoyed generally increasing volumes in the first half of 2000 before experiencing a sudden drop in tire demand in the summer followed by the, by now, well-publicized slowdown in the automotive sector. The short-term uncertainty facing the industry had a direct negative impact on our business as major O.E. tire customers were continuously revising their rubber compound requirements downwards. Capacity in our plants which had been reserved by these customers went unused as excess tire inventories were reduced and automotive slow-downs were addressed.

The increases in oil and gas prices had an immediate effect on the cost of raw materials with price increases in both carbon black and synthetic rubber being in excess of 20%. While a good portion of these increases were passed along, some were absorbed to maintain volume in periods of decreasing demand. As a result, margins decreased slightly over the previous year and inventories rose as additional purchases were made to temporarily avoid double-digit price increases.

Despite the difficult end to the year, much was accomplished in 2000 to prepare the Company for the future. The K-7 mixer, which represents 100 million pounds of masterbatch mixing capacity, was rebuilt and we replaced an old mixer with the first state-of-the-art Co-Flow mixer installed in the world. In 1999 we were qualified to mix for only two O.E.M. tire plants in

Canada. We are now qualified to mix for all three major tire manufacturers in both Canada and the United States. While automotive-related business opportunities have dropped, and continue to do so, we have increased volumes with some of our larger industrial customers such as a major U.S.-based conveyor belt manufacturer and a U.S.-based solid tire manufacturer. A salesperson has been added to service American customers, and we are already in customer evaluation trials of several industrial compounds which we hope will result in additional U.S. volume. An agreement has been reached with an agent to sell retread compounds in the southern United States. We have the capacity, the right equipment and personnel, and, as one of the lowest cost producers in North America, we intend to capture more of the U.S. market in 2001. Although we may not totally fill capacity this year due to short-term market conditions, we expect to do so in the foreseeable future – and when we do, profitability will be substantially enhanced.

Acton | Our Quebec-based footwear division increased sales by 33% in 2000 and we are looking for further increases in 2001 of at least 15% to 20%. The major reasons for this increase will be the introduction of firefighter and mining products into the U.S. and western Canadian markets. Orders received in January and February for these products have exceeded $1.5 million in new business in a highly competitive market. We have maintained and enhanced our position as the market leader in nuclear, biological and chemical protective footwear by increasing our percentage of the U.K. military business from 50% to 100%. Several potential contracts throughout the world were postponed in 2000 and we believe we are in an excellent position to win a major portion of that business when it happens, hopefully in 2001. A challenge exists to increase the profitability of the Canadian-based rubber industrial footwear business in the coming year by improving manufacturing techniques and increasing efficiencies.

The industrial division grew by 4% and showed substantial efficiency improvement in the second half of the year. Increases in providing industrial products to the U.S. military were a factor in this growth.

Railway Products | The Railway Products Division had another successful year as sales increased by 35% to $11.2 million and pre-tax profits quadrupled. We anticipate further increases in 2001 as a result of the two major U.S. railways having approved our new fastening clip which is being manufactured at our recently-opened joint venture facility in Saskatchewan. We forecast sales of this product will be between $1.5 and $3 million in 2001 as railway track construction and repair budgets remain strong.

We are now in the position of being able to offer a complete track fastening system which will allow us to target smaller railroads in the U.S. and Central and South America. The shift from rubber to plastic protective tie pads continues. While this is positive from the Railway Products Division standpoint, this reduction in rubber moulding volume proved to be the catalyst for re-organizing the manufacturing operations previously located in Michigan.

Engineered Products | The Tire Division and our Michigan moulding operations were re-organized during the year at a cost of $1.6 million. All injection moulding manufacturing was moved to Kitchener to take advantage of significantly lower overheads and fringe benefit costs. The Michigan facility now acts as a warehouse for tire distribution and will manufacture a small number of rail pads for the 2001 season. The Company has contracted out the sales and marketing for AirBoss tires. We expect that the cost savings of this arrangement will outweigh the anticipated reduction in sales volumes. Tire sales, in total, accounted for less than 3% of consolidated sales in 2000. With this re-organization the Company hopes to save $1.5 million per year in operating costs, and improve operating efficiency and quality. Improvements have already been realized in the production of parts for G.M. locomotive and in brake pedal production.

Financial | Over the last two years we have spent $17 million on equipment to increase capacities and improve efficiencies by adding the latest and most efficient production equipment. All of this was financed from working capital.

Overall debt levels should be reduced in 2001 as we now have sufficient capacity to grow sales by 40% before any major additional expenditures would be required.

Outlook | Despite substantial projected increases in Acton-Vale, Quebec and the Railway Division, the first quarter of 2001 will be slower than the corresponding period in 2000 due to reduced demand for rubber compounds from our O.E. tire and automotive customers at our Kitchener facility. We expect significant new business from our tire customers once tire and automotive sales improve; however, the timing and quantities must be regarded as uncertain at this point in time. To compensate for this, we have commenced an aggressive U.S. sales and marketing campaign targeting other market sectors. This is beginning to show success as we have added approximately 10 million pounds in new annual volume starting in March 2001. Further opportunities will arise as less efficient producers lose market share in an increasingly competitive market. There is considerable financial leverage to increasing capacity utilization and this will remain a prime focus at the Kitchener facility.

Profitability should be similar to last year with substantial potential upside should markets improve and rubber compounding volumes increase. We expect to make further progress in increasing market share and re-affirming our position as a market leader in high volume rubber compounds, military protective wear and railway track fastening products.

P.G. Schoch,
Chairman

R.L. Hagerman,
President

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AirBoss Forward-Looking Statement Disclaimer | This report contains forward-looking statements which reflect management's best judgment based on factors currently known but involve significant risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to risks more fully described in the "Risk Factors" section of the Company's Annual Report, and other risks detailed in filings with the Ontario Securities Commission. Forward-looking information provided pursuant to the safe harbor established by recent securities legislation should be evaluated in the context of these factors.

SALES | **2000 compared to 1999** – Several major customers supply their own materials for AirBoss to process. The Company reports net sales as being net of these materials received. The gross value of goods produced and sold, which includes the value of the materials received, amounted to $159.4 million, an 8% increase over the previous year's sales of $147.6 million. Net sales for the year ended December 31, 2000 increased by 15% primarily due to the inclusion of Acton International Inc. ("Acton") for the full year. Sales increases of 4.7% in Rubber Compounding and 35% in AirBoss Railways were partially offset by decreases in AirBoss Tires and AirBoss Polymer Products.

1999 compared to 1998 – Net sales for the year ended December 31, 1999 increased by 51% from $79.4 million to $120.1 million. The acquisition of Acton on April 22, 1999 accounted for 38% of the increase. Rubber mixing, which operated at or near capacity for most of the year until the ITRM facility completed a doubling of its capacity in July, generated 7% of the increase in net sales dollars. Sales of rail pads and an expanded range of new railway products including insulators, and, modest increases in tire sales accounted for the remainder of the sales growth.

GROSS MARGINS | **2000 compared to 1999** – Gross margins declined to 20.6% from 23.3% in 1999 due to increases in raw material costs which saw the Rubber Compounding Division's margins decrease by 2.3% and Acton's margins by 2.1%. Margins were also affected by the reduction in sales to O.E.M. tire customers who supply their own materials. Further margin losses were experienced in AirBoss Polymer Products which was reorganized with injection moulding operations moved to Kitchener, Ontario.

1999 compared to 1998 – Gross margins on net sales increased to 23.3% (18.9% on value of goods produced) from 17.0% (14.9% on value of goods produced) in 1998. The improvement reflects three significant factors. First, ITRM capacity utilization improved through a 34% increase of throughput. Secondly, sales to customers who supplied their own materials increased to 33% from 17% of total pounds sold. The third is the Acton acquisition as its commercial and military footwear products are higher margin products.

EXPENSES | **2000 compared to 1999** – General and administrative costs increased to approximately 6.6% of net sales. The increase in dollar costs is due primarily to the full year inclusion of Acton. Sales and marketing expenses increased from 5.2% of sales in 1999 to 6.1% in 2000. Sales efforts were increased in both Rubber Compounding (ITRM) and in Acton as personnel were added for programs designed to better address the U.S. market.

1999 compared to 1998 – General and administrative expenses increased by $4.1 million. Acton accounted for approximately 34% of the increase. The Railway Division, which saw its first full year of operations (compared to approximately six months in 1998) accounted for 14% of the increase. Also included in the Railway Division's expenses was $395 for the defense of a product patent lawsuit (see "Lawsuits"). In addition the Company incurred approximately $600 in bad debt expenses resulting from one customer of the mixing division. Remaining increases resulted from the addition of staff and systems at ITRM and head office to manage the growth of the Company.

Sales and marketing expenses increased by $3.6 million of which Acton accounted for 75%. Acton's commercial footwear division, unlike the industrial and other engineered products, competes in markets requiring significant selling and marketing support. The remaining cost increases were incurred in the Railway Division, which was operational only six months in 1998, and in ITRM as sales staff were increased to fill the additional capacity resulting from the expansion.

RE-ORGANIZATION COSTS | The Company re-organized the rubber part manufacturing operations in Michigan in 2000 to reduce overhead and product costs. The cost of this re-organization amounted to approximately $1.6 million plus an additional write-off for excess tire rim inventory of $350 which was charged to cost of sales.

	RE-ORGANIZED OPERATIONS	REMAINING OPERATIONS	TOTAL
Income from operations	$(2,649)	$12,340	$9,691
Re-organization costs	(1,566)	-	(1,566)
Income before interest and tax	$(4,215)	$12,340	$8,125

LIQUIDITY AND CAPITAL RESOURCES |

2000 compared to 1999 – Working capital decreased by $3.6 million to $5.2 million. During the year long-term debt was reduced by $5.6 million and capital expenditures were $6.8 million. Cash flow from operations amounted to $8.8 million leaving $3.6 million to be financed through existing working capital. The Company is pursuing increased term funding of $9 million to reduce demand loans.

1999 compared to 1998 – Working capital decreased to $8.8 million in 1999 from $9.5 million in 1998. The 1998 balance included $4.8 million of the $7.7 million raised to finance the expansion at ITRM in 1999. Excluding this, working capital actually increased by $4.1 million in the year. The capital investment virtually doubled ITRM's capacity and also resulted in the substantial upgrading and overhaul of ITRM's strategic assets, the K-7 mixer in particular. With this investment most of the major equipment overhaul requirements have been completed, providing AirBoss with reliable manufacturing facilities and reducing maintenance costs.

During April 1999, the Company acquired Acton International Inc. The acquisition was financed by way of a share issuance, debt and cash. Debt financing amounted to $19.2 million in long-term debt and an operating line of credit of $14.0 million.

RISK FACTORS

COMPETITION | The Company competes directly against major North American custom rubber compounders and footwear and rubber parts manufacturers in most of its identified and potential market segments. Some of these companies have strong established competitive positions in these markets, as in the case of the rubber compounding industry leader, and much greater resources, both financially and in terms of personnel, than the Company and have long-standing relationships with the Company's prospective customers and well-established marketing and distribution networks.

Furthermore, since there is a certain commodity-like element to certain segments of the Company's rubber mixing business, the customers of this business are price sensitive and the Company competes against manufacturers who are able to provide similar services at competitive prices.

The Company manufactures commercial footwear, which competes against other established brand names. While the Company's rubber footwear generally offers greater protection and wear features, competitive products, usually made of plastic and imported, enjoy lower labor and material costs. They are, therefore, retailed at lower prices and may, accordingly, appeal to price sensitive purchasers.

IMPACT OF ECONOMIC CYCLE | The demand for the products produced by the Company can vary in accordance with general economic cycles and the

economic conditions of the industry sectors that are served by the Company. In addition, such industry sectors are cyclical in nature. The Company is particularly sensitive to trends in the tire and automotive, construction, mining, retail and rail transportation industries because these industries are significant markets for the Company's business and are highly cyclical.

The Company's railway fastening business, for example, is influenced by the economic conditions of the railroad industry. The railroad industry, in turn, is susceptible to changes in the economic conditions of the industries and geographic areas that produce and consume the freight it transports. Many of the goods and commodities carried by the railway companies experience cyclical demand. If there is an economic slowdown or recession in North America or the other markets in which the Company intends to expand, the volume of rail shipments carried by the Company is likely to be reduced, thereby reducing the need for new track construction and maintenance and, in turn, the demand for the Company's railway fastening products.

RAW MATERIALS AND INVENTORY | The Company depends on certain outside sources for raw materials used in the production of its products, the price and availability of which are subject to market conditions. Certain raw materials and components such as specialized wheels are available from limited sources, some of which require order lead times of three to five months. As a result, any unforeseen shortage of such raw materials could delay delivery, increase costs and decrease profitability. The Company does not have long-term supply contracts with its vendors and purchases the raw materials on a purchase order basis. Although the Company attempts to mitigate certain of the risk of increased prices for raw materials by entering into futures contracts, increased prices for raw materials for which the Company does not have alternative sources and which have not been hedged through futures contracts could have a material adverse effect on the Company's business, results of operations and financial condition. Although the Company attempts to pass price changes in raw materials on to its customers, the Company may not be able to adjust its prices, especially in the short term, to recover the costs of increases in raw material prices.

WEATHER | The Company builds its commercial footwear inventory, consisting primarily of boots, during the first half of the year for delivery to retailers for their fall and winter sales during the last half of the year. The volume of these sales is largely dependent on weather conditions. The Company also manufactures rubber compounds used extensively in snowmobile tread manufacture. The annual sales of these compounds depend upon snowmobile sales, which in turn are affected by weather conditions.

PRODUCT LIABILITY AND WARRANTY CLAIMS | As a manufacturer of rubber-based products, the Company faces a risk of product liability and warranty claims. Although the Company carries commercial general liability insurance in an amount considered reasonable by industry standards, any claim which is successful and is not covered by insurance or which exceeds the policy limit could have an adverse affect on the Company. No product liability claims have been made against the Company. Warranty claims have not been material and are within industry standard expectations.

DEPENDENCE ON KEY CUSTOMERS AND CONTACTS | From time to time, a significant portion of the Company's sales for a given period may be represented by a small number of customers. Five rubber compound customers represented approximately 44% and 45% of the Company's sales for the years ended December 31, 2000 and 1999 respectively. The loss of any such customers or the delay or cancellation of any orders under certain high-volume contracts could have a significant impact on the Company. In 2001 we anticipate a decline in volume with automotive and O.E. tire customers of our rubber compounding division and have increased sales efforts in other sectors.

CAPACITY AND EQUIPMENT | The rubber compounding business completed an expansion in July 1999, which effectively doubled its annual capacity to approximately 200 million pounds. Approximately 124

million pounds were mixed in 2000. The K-7 Master Batch mixer, the core mixer in the Company, was overhauled at the beginning of the year. One of the Company's final mixers was replaced during the year with a new design Co-Flow mixer. The Company has thereby assured itself of a reliable supply capability for 2001 and beyond.

The Company's capacity to manufacture industrial protective boots has been increased by the purchase of certain tooling from a competitor in receivership. This equipment is currently being used for the U.S. and western Canadian markets.

CURRENCY EXPOSURE | The Company has revenues and expenses denominated in both Canadian and U.S. dollars. In addition, the price to the Company of certain raw materials and other expense items and the competitiveness of prices charged by the Company for its products will be indirectly affected by currency fluctuations. Changes in the value of the Canadian dollar relative to the U.S. dollar could have a material adverse effect on the Company's results of operations. The Company reviews its currency exposure positions from time to time and hedges its exchange risk when it determines it to be advisable. However, there is no assurance that such hedging strategy will be successful or cost effective, and the profitability of the Company's business could be adversely affected.

ENVIRONMENTAL | As the Company handles various chemicals and oils in its manufacturing process, the nature of the Company's business may expose it to risks of causing or being deemed to have caused environmental or other damages, such as the potential for harmful substances escaping into the environment and causing damage or injuries. The Company devotes resources to ensure that its operations are conducted in a manner that minimizes such risks. To date, no governmental authority has required the Company to pay any material fines or remediation expenses in connection with any alleged violation of environmental regulations. However, there can be no assurance that future environmental damage will not occur or that environmental damage due to prior or present practices will not result in future liabilities.

The Company is subject to environmental regulation by federal, provincial, state and local authorities. While management believes that the Company is in substantial compliance with all material government requirements relating to environmental controls on its operation, changes in such government laws and regulations are ongoing and may make environmental compliance increasingly expensive. Management is not able to predict future costs which may be incurred to meet environmental obligations.

LAWSUITS | The Company has been sued for patent infringement with respect to certain of its plastic rail products. Prior to production the Company obtained independent legal advice that it was not infringing on any patent. The Company believes it has an extremely strong defense. The case was recently dismissed in a summary judgment ruling as being without merit; however, it is now under appeal by the plaintiffs. There is no guarantee that these matters will be settled in the Company's favor.

OUTLOOK | With the current uncertainties in the tire and automotive industries which negatively impact our rubber compounding business, the Company expects 2001 profitability to be similar to 2000 with a significant potential upside should conditions improve and our volume increase. The rubber compounding facility currently is operating at approximately 60% of capacity; so, any increases in volume will significantly impact earnings and reduce debt.

The Company expects to have sufficient financial resources to sustain expected operations levels. However, the Company is negotiating new term loan arrangements which will result in increased term funding with the proceeds used to reduce current operating loans. In addition, a longer repayment period is anticipated. These changes will significantly strengthen the Company's liquidity, particularly in the event of increased economic uncertainty.

The Railway products business anticipates continued growth due to the establishment of a joint venture to manufacture clips and to the continuing development of other new products.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of AirBoss of America Corp. and all the information in the annual report are the responsibility of management, and have been approved by the Board of Directors..

The financial statements have been prepared by management, in accordance with generally accepted accounting principles. When alternate accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented in this annual report and has ensured that it is consistent with that presented in the financial statements.

AirBoss of America Corp. maintains systems of internal accounting and administrative controls consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and a majority of its members are outside directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers the engagement or re-appointment of the external auditors for review by the Board and approval by the shareholders.

The financial statements have been audited by PricewaterhouseCoopers LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

R Hagerman

R.L. Hagerman
President

AUDITED FINANCIAL STATEMENTS

Auditors' Report To the Shareholders of AirBoss of America Corp.

We have audited the consolidated balance sheet of AirBoss of America Corp. as at December 31, 2000 and the consolidated statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Kitchener, Canada
February 23, 2001

CONSOLIDATED BALANCE SHEET

(thousands)

	As At December 31	
	2000	1999
ASSETS (Notes 6, 7)		
Current assets:		
Accounts receivable	**$ 22,330**	$ 18,569
Inventories (Note 3)	**22,097**	19,091
Income taxes recoverable	**318**	1,094
Prepaid expenses	**776**	918
	45,521	39,672
Capital assets (Note 5)	**51,706**	49,321
Goodwill (net of accumulated amortization: 2000 - $1,665, 1999 - $945)	**26,162**	26,661
Future tax asset (Note 9)	**1,008**	621
Other assets (Net of accumulated amortization: 2000 - $1,413, 1999 - $647) (Note 4)	**1,021**	1,350
	$ 125,418	$ 117,625
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Demand loans (Notes 6, 15)	**$ 21,466**	$ 15,415
Accounts payable and accrued liabilities	**13,066**	9,744
Current portion of term loan and other debt (Notes 6, 7)	**5,729**	5,703
	40,261	30,862
Term loans (Note 6)	**13,821**	16,258
Other debt (Note 7)	**6,576**	9,815
Accrued post retirement benefit liability (Note 11)	**210**	24
Future income tax liability (Note 9)	**8,037**	6,871
Commitments and contingencies (Notes 10, 14)		
Shareholders' equity:		
Share capital (Note 8)	**38,362**	38,533
Contributed surplus (Note 8)	**143**	–
Retained earnings	**18,008**	15,262
	56,513	53,795
	$ 125,418	$ 117,625

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Approved by the Board

Director Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(thousands except per share amounts)

		Year ended December 31 2000	1999
SALES		**$ 138,038**	$ 120,111
Cost of sales		**109,601**	92,113
Gross margin		**28,437**	27,998
EXPENSES			
General and administrative		**9,112**	7,356
Selling, marketing and distribution		**8,381**	6,201
Product research		**1,205**	704
Re-organization costs (Note 13)		**1,566**	–
		20,264	14,261
Income from operations		**8,173**	13,737
Interest expense	– Demand loans	**(1,400)**	(700)
	– Long term debt	**(2,353)**	(1,914)
Other income (expense)		**(48)**	247
Income before income taxes		**4,372**	11,370
Provision for income taxes (Note 9)		**1,626**	3,966
Net income		**2,746**	7,404
Retained earnings, beginning of year		**15,262**	7,858
Retained earnings, end of year		**$ 18,008**	$ 15,262
Earnings per share	– Basic	**$ 0.12**	$ 0.35
	– Fully Diluted	**$ 0.12**	$ 0.34

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(thousands)

	Year ended December 31 2000	1999
CASH PROVIDED BY (USED IN)		
Operating Activities:		
Net income	$ 2,746	$ 7,404
Items not affecting cash:		
Amortization	5,334	3,183
Future income taxes	779	3,786
	8,859	14,373
Changes in non-cash operating working capital balances	(2,342)	(6,118)
	6,517	8,255
Investing Activities:		
Purchase of capital assets	(6,213)	(10,980)
Purchase of other assets	(457)	(404)
Acquisition of Acton International	(221)	(4,438)
	(6,891)	(15,822)
Financing Activities:		
Net increase in demand loans	6,051	5,001
Repayment of term debt	(2,437)	(1,406)
Repayment of other debt	(3,212)	(1,799)
Issuance of share capital	336	928
Redemption of share capital	(364)	–
	374	2,724
Decrease in cash for the year	–	(4,843)
Cash and short term deposits at the beginning of the year	–	4,843
Cash and short term deposits at the end of the year	$ –	$ –
Interest paid during the year	$ 3,800	$ 2,578
Net income taxes remitted during the year	920	328

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PRESENTATION

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and a proportionate share of the joint venture company. All significant intercompany balances and transactions have been eliminated.

b) CAPITAL ASSETS

Capital assets are recorded at cost and are depreciated to the estimated salvage values on the following basis over their expected useful lives.
Buildings – straight-line basis over 25 years
Equipment – straight-line basis over five years to fifteen years and unit of production basis

c) GOODWILL

Goodwill represents the excess of the purchase price over the fair value of assets acquired and is being amortized on a straight-line basis over twenty-five to forty years. Goodwill is reviewed annually for impairment. Factors, which are reviewed for impairment, include sales and net income. Any impairment will be written off in the year incurred.

d) INVENTORIES

Inventories are recorded at the lower of cost and market. Cost is determined on a first-in, first-out basis. Market is defined as replacement cost for raw materials and net realizeable value for work-in-progress and finished goods.

e) OTHER ASSETS

Patents and licence rights – The Company has capitalized the costs incurred to acquire the patents and licence rights. Patent costs will be amortized over the life of the patent and licence rights amortized over forty years. These costs will be written down in the event of impairment.

Product development – The Company has capitalized the costs incurred in developing the products that it plans to bring into commercial production. Product development costs are amortized on a unit-of-production basis. These costs will be written down in the event of impairment. All other product development and research costs are expensed as incurred.

Deferred financing – Deferred financing is being amortized over the term of the loan on a straight-line basis.

f) EARNINGS PER SHARE

Earnings per share have been calculated on the weighted average number of common shares outstanding during the period.

g) FOREIGN CURRENCY TRANSLATION

The accounts of the Company's wholly owned subsidiaries have been translated using the Temporal method, which translates monetary items at the rate of exchange in effect at the balance sheet date and non-monetary items at historical rates. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur. Exchange gains and losses arising on translation of foreign currency are included in current operations.

The Company uses forward exchange sales contracts denominated in U.S. dollars to mitigate the Company's foreign exchange exposure inherent in U.S. dollar sales. Exchange gains and losses arising on translation of foreign currency hedges are included in current operations.

h) INCOME TAXES

The Company follows the liability method of tax allocation for the accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined as differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

i) CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of trade accounts receivable. A majority of the Company's trade receivables are derived from sales to retailers, manufacturers and to original equipment manufacturers and distributors. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. The Company maintains reserves for potential credit losses, and any such losses to date have been within management's expectations.

j) USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

k) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, demand loan, accounts payable and accrued liabilities, term loan and other debt and accrued post retirement benefit liability. The Company determines fair value of its financial instruments based on quoted market values or discounted cash flow analyses. The recorded amounts of financial instruments in these consolidated financial statements approximate their fair values.

The Company also has forward foreign exchange sales contracts denominated in U.S. dollars. Foreign exchange contracts are negotiated with a Canadian bank with a credit rating of R1 (mid) as determined by Dominion Bond Rating Service. Accordingly, the Company does not anticipate non-performance by the bank as counter party to these contracts.

l) POST RETIREMENT BENEFITS

The Company has adopted the Canadian Institute of Chartered Accountants handbook section 3461 ("CICA 3461") Employee Future Benefits which deals with the accounting for benefits earned by employees under employment agreements and paid after retirement. The regulations have been applied prospectively.

The Company provides designated employees with defined post retirement benefits based upon their years of service. These benefits are accrued by the Company and remain unfunded unless certain events occur. The current provision for the benefit expense reflects an actuarily-determined amortization of past service costs over the remaining years of employment until the maximum entitlement is achieved, imputed interest on the unfunded balance, and, a provision for current service.

The Company provides certain employees with post retirement life insurance benefits under a plan that is unfunded. The current provision for the benefit expense reflects actuarily-determined imputed interest on the unfunded balance, net of annual employer contributions, and a provision for current service. The Company uses the "Corridor Approach" to accrue actuarial gains or losses. The liability for the benefits will be accrued over the attribution period of twenty years.

m) SEGMENTED INFORMATION

The Company's reportable segments are the internal organizations used by management for making operating decisions and assessing performance.

NOTE 2 – ACQUISITIONS, JOINT VENTURES

Acton International Inc. – On April 22, 1999, the Company acquired 100% of the shares of Acton International Inc. The acquisition was accounted for using the purchase method of accounting and was financed through the issuance of shares, debt and cash as summarized below:

Fair value of shares acquired:	
Shares of Acton International Inc.	$ 34,438
Composition of purchase financing:	
Issuance of common shares	$ 10,778
Term loans	15,000
Promissory notes	4,222
Cash	4,438
	$ 34,438
Assets acquired:	
Current assets	$ 16,073
Capital and long term assets	16,566
Goodwill	16,917
	49,556
Less:	
Liabilities assumed	15,118
Net assets	$ 34,438

Additional costs of $221 relating to prior year tax re-assessments and legal costs incurred in 2000 have been allocated to goodwill.

Joint Venture – In 1999 the Company entered into a 50-50 joint venture agreement for the manufacture of railway fastening clips for which AirBoss Railway Products, Inc. is the exclusive vendor. The joint venture is consolidated on a proportionate basis. The joint venture will commence manufacturing operations in 2001.

Company's share of joint venture's:	2000	1999
Current and long term assets	1,711	483
Current liabilities	180	10
Advance from AirBoss of America Corp.	1,530	472
Cash flow from – investing activities	(985)	(392)
– financing activities	1,058	473

NOTE 3 – INVENTORIES

Inventories are comprised of the following:	2000	1999
Raw materials	$ 12,056	$ 10,129
Work-in-progress	3,154	2,031
Finished goods	6,887	6,931
	$ 22,097	$ 19,091

NOTE 4 – OTHER ASSETS

Other assets are comprised of the following:	2000	1999
Product development	$ 727	$ 665
Patents and licences	68	430
Deferred financing	226	255
	$ 1,021	$ 1,350
Amortization expense	$ 786	$ 204

During the year the Company re-organized its tire and rubber moulding businesses. Included in re-organization expense is $500 of accelerated amortization of product development and patents and licences, associated with these businesses (Note 13).

NOTE 5 – CAPITAL ASSETS

December 31, 2000	Cost	Accumulated Amortization	Net
Land	$ 2,500	$ -	$ 2,500
Buildings	8,450	684	7,766
Equipment	50,430	8,990	41,440
	$ 61,380	$ 9,674	$ 51,706

December 31, 1999	Cost	Accumulated Amortization	Net
Land	$ 2,500	$ -	$ 2,500
Buildings	8,005	332	7,673
Equipment	45,324	6,176	39,148
	$ 55,829	$ 6,508	$ 49,321

NOTE 6 – LOAN FACILITIES

The Company has available an operating line of credit up to $24,000 (1999 - $24,000) (Note 15).
The operating line of credit bears interest at the Bank's prime rate plus 0.5% per annum, with respect to loans denominated in Canadian currency and at the Bank's U.S. prime rate plus 0.5% per annum, with respect to loans denominated in U.S. currency. The fee charged for bankers' acceptances is Bank's Stamping Fee plus 1.25%.

The Company has available commercial term loan facilities of up to $16,300 (1999 - $18,700) as follows (Note 15):

	2001	2002	2003	2004
$12,500 – at Bank's prime plus 1.5% per annum or for bankers acceptances, Bank's stamping fee plus 3.0%	$ 1,500	$ 1,500	$ 1,500	$ 8,000
$3,700 – at Bank's prime plus 1.0% per annum or for bankers acceptances, Bank's stamping fee plus 1.50%	900	2,800		
$57 – at Bank's U.S. prime plus 1.0% per annum	36	21		
Total	$ 2,436	$ 4,321	$ 1,500	$ 8,000

The indebtedness to the Bank is secured by a general security agreement entered into by the Company and security agreements entered into by the subsidiaries supported by collateral mortgages. The loan agreements also provide for certain covenants, which the Company has not met. The Bank has waived these covenants as at December 31, 2000.

NOTE 7 – OTHER DEBT

	2000	1999
Promissory notes – Acton International Inc.	$ 3,589	$ 4,222
Unsecured loans	719	992
Discounted note	708	1,062
Promissory note and discounted liability	4,853	6,806
	9,869	13,082
Less current portion	3,293	3,267
	$ 6,576	$ 9,815

Other debt includes two promissory notes taken back by the vendors of Acton International Inc. The notes bear interest of 8% and are secured by a collateral mortgage of $3,589 on the assets of Acton International Inc. and rank second to the Bank. They are repayable in three equal annual payments of $634 with the balance of $1,687 payable on April 20, 2004.

The Company owes $719 ($495 and $224 respectively) under government-sponsored loan arrangements supporting research and development and small business capital. The loans are unsecured and bear interest at NIL% and 9% respectively. They are repayable in two equal annual payments of $247 on each April 1 and monthly payments of $4 over 64 months respectively.

Other debt includes a discounted note that has a face value of $2,500, is non-interest bearing and is payable in equal monthly instalments of $35 over its six-year term. The carrying value in the financial statements represents the present value under a non-cancellable operating lease of these payments discounted at 7%. The Company has leased vacant warehouse space to the note holder being the vendor of the ITRM Business for a similar six-year term. The agreed upon rent equals the amounts due under the note and the Company has retained the right of offset on amounts owing.

In June 1998, the Earnout under the ITRM Business acquisition was fixed at $8,500. The consideration given was a Promissory Note of $8,500, bearing interest of 6% per annum, repayable in 60 monthly instalments of $142 principal and interest, secured by a debenture of $18,528 on the assets of the ITRM Business. Payments under the Promissory Note commenced July 1, 1998. Other debt includes a discounted liability bearing interest of 8% per annum and payable initially in 36 monthly instalments of $26 and, subsequently, in 24 monthly instalments of $13. Payments commenced May 22, 1999.

Future other debt payments over each of the next five years is as follows:

2001	$ 3,293
2002	3,092
2003	1,667
2004	1,746
2005	45
thereafter	26
	$ 9,869

NOTE 8 – SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized:

Unlimited number of common shares.

Unlimited number of Class B preference shares without par value and issuable in series subject to the filing of articles of amendment. The directors may fix from time to time before such issue the number of shares that is to comprise each series and the designations, rights, privileges, restrictions and conditions attaching to each series.

Issued share capital of the Company is as follows:

	Common Shares	
	Amount (in thousands)	Number of Common Shares
Balance, December 31, 1998	$ 19,086	16,669,545
Exercise of stock options	928	523,750
Issue of shares – purchase of Acton International Inc.	10,778	3,101,878
Conversion of special warrants	7,741	2,334,400
Balance, December 31, 1999	$ 38,533	22,629,573
Exercise of stock options	336	167,500
Redemption & cancellation of shares	(507)	(297,650)
Balance, December 31, 2000	$ 38,362	22,499,423

Pursuant to an agreement dated November 26,1998, the Company sold to underwriters 2,334,400 Special Warrants for estimated net proceeds to the Company of $7,700. The Special Warrants were exchanged into Common Shares of the Company in 1999 for no additional consideration and none remain outstanding.

Contributed surplus – On November 20, 2000 the Company initiated a Normal Course Issuer Bid whereby it may, at its option, repurchase up to 2,116,000 shares during the ensuing twelve months. As of December 31, 2000, the Company repurchased 297,650 shares for cancellation at an average price of $1.23 per share. The difference between the book value per share as of November 20, 2000 and the purchase price of $143 has been credited to contributed surplus.

Stock options – The Company has reserved 1,961,750 shares for its stock option plan. Options vest when granted. The plan provides for the following vested options, granted to directors and officers of the Company, which were outstanding at December 31, 2000 with a weighted average exercise price of $3.85.

Number of Options	Exercise Price	Expiry Date
100,000	$ 2.88	April 2, 2001
7,500	$ 3.08	April 2, 2001
50,000	$ 3.60	May 1, 2002
50,000	$ 3.50	July 27, 2002
5,000	$ 3.00	March 31, 2003
100,000	$ 3.49	April 15, 2003
87,500	$ 2.30	August 2, 2003
475,000	$ 4.50	June 2, 2004
875,000		

		2000		1999
Options	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	1,592,500	$ 3.06	1,411,250	$ 2.04
Granted	92,500	2.34	705,000	4.18
Exercised	(167,500)	2.00	(523,750)	1.84
Expired	(642,500)	2.15	–	
Outstanding and exercisable at end of year	875,000	3.85	1,592,500	3.06

NOTE 9 – INCOME TAXES

The provision for income taxes differs from the amount computed by applying the Canadian statutory income tax rate to income before income taxes for the following reasons:

	Year Ended December 31	
	2000	1999
Combined federal and provincial statutory income tax rate	42.3%	43.3%
Federal large corporations tax	4.5	1.1
Canadian rate adjustment for manufacturing and processing activities	(8.5)	(8.6)
Canadian investment tax credits	(0.8)	(3.0)
Non-deductible expenses	0.5	2.4
Foreign tax differential	1.5	–
Future income tax rate reduction	(1.8)	–
Other	(0.5)	(0.3)
Total:	37.2%	34.9%

The components of the provision for income taxes are as follows:

	2000	1999
Current	$ 909	$ 180
Future	717	3,786
	$ 1,626	$ 3,966

The components of the future income tax asset (liability) clarified by the source of the cumulative differences are as follows:

	2000	1999
Tax amortization in excess of accounting amortization	$ (8,676)	$ (6,929)
Research and development expenses deducted for accounting purposes in excess of tax purposes	296	(174)
Losses available to offset future income taxes	1,109	621
Taxes recoverable on long term liabilities	247	266
Valuation allowance	(5)	(34)
Subtotal	(7,029)	(6,250)
Future income tax asset	1,008	621
Future income tax liability	$ (8,037)	$ (6,871)

The Company has losses of $1,557 available to offset future income taxes in the United States that expire between 2017 and 2020 and $1,064 in Canada that expire in 2003. The Company has scientific research and development expense carry-forwards to offset future income taxes in Canada of $978. The Company has recognized a future tax asset to the extent that the losses and scientific research and development costs are more likely than not to be realized.

NOTE 10 – COMMITMENTS

The Company is committed under non-cancellable operating lease agreements to minimum rentals for premises and equipment as follows:

2001	$ 193
2002	109
2003	22
thereafter	Nil

The Company has entered into forward exchange contracts to sell US$3,775 (1999: Nil) with a fair market value of C$5,652 (1999: Nil). The contracts mature between January 2, 2001 and April 30, 2001. The contracts have been marked to market and losses of $48 have been accrued at the year end.

NOTE 11 – POST RETIREMENT BENEFITS

The Company has adopted the Canadian Institute of Chartered Accountants handbook section 3461 ("CICA 3461") Employee Future Benefits which deals with the accounting for benefits earned by employees under employment agreements and paid after retirement.

Retirement Compensation Plan – The Company provides a defined benefit retirement compensation plan for designated employees. The plan provides for retirement compensation payments based upon the employees' years of service. The plan provides that it be unfunded until the occurrence of certain events including termination and change of control of the Company. Benefit obligations were actuarily determined in November 1999.

		2000		1999
Post retirement benefit obligation at beginning of year	$	568	$	553
Service cost		59		9
Interest cost		37		6
Post retirement benefit obligation at end of year	$	664	$	568
The Company's net benefit plan expense is as follows:				
Service cost	$	59	$	9
Interest cost		37		6
Amortization of past service benefit		55		9
	$	151	$	24
Accrued post retirement benefit liability	$	176	$	24
Unamortized post retirement benefit obligation at end of year	$	488	$	544
Weighted average assumptions as of December 31				
Discount rate		6.5%		6.5%

Retirement Term Life Insurance Plan – Certain employees are eligible for Company-paid post retirement term life insurance coverage determined by their years of service and age at time of retirement. The plan is unfunded. Benefit obligations were actuarily determined in December 2000.

		2000
Post retirement benefit obligation at beginning of year	$	382
Service cost		6
Interest cost		28
Employer contribution		(24)
Experience loss		24
Post retirement benefit obligation at end of year	$	416
The Company's net benefit plan expense is as follows:		
Service cost	$	6
Interest cost		28
Amortization of transitional liability		24
	$	58
Accrued post retirement benefit liability	$	34
Unamortized benefit obligation at end of year	$	382
Weighted average assumptions as of December 31		
Discount rate		7.25%

NOTE 12 – SEGMENTED INFORMATION

The Company operates within North America and has production facilities in Canada and the United States. While the manufacturing locations of the Company are managed separately, the product lines are defined and managed within two business segments comprised of rubber mixing and tire operations, and, engineered products.

One customer represented 19% and 17% of total sales in 2000 and 1999. Five rubber mixing customers represented 44% and 45% of sales in 2000 and 1999 respectively.

2000	Sales excluding Inter-Company Canada	U.S.A.	Other	Total	Inter-Company	Contribution
Rubber mixing and tire operations	$ 42,837	$ 35,721	$ 986	$ 79,544	$ 5,190	$ 10,004
Engineered products	24,529	31,167	2,798	58,494	5,890	1,968
Subtotal	$ 67,366	$ 66,888	$ 3,784	$ 138,038	$ 11,080	11,972
Unallocated administrative costs						2,281
Re-organization costs (Note 13)						1,566
Income before interest and taxes						8,125
Interest						3,753
Provision for taxes						1,626
Net income						$ 2,746

	Rubber Mixing Tire Operations	Engineered Products	Unallocated	Total
Assets employed	$ 57,675	$ 67,328	$ 415	$ 125,418
Purchase of capital assets	2,412	3,795	6	6,213
Purchase of goodwill	-	221	-	221
Amortization – Goodwill	218	502	-	720
– Capital and other assets	$ 2,445	$ 2,134	$ 35	$ 4,614

1999	Sales excluding Inter-Company Canada	U.S.A.	Other	Total	Inter-Company	Segment Contribution
Rubber mixing and tire operations	$ 48,832	$ 29,346	$ 700	$ 78,878	$ 4,075	$ 12,458
Engineered products	18,307	20,980	1,946	41,233	7,616	3,184
Subtotal	$ 67,139	$ 50,326	$ 2,646	$ 120,111	$ 11,691	15,642
Unallocated administrative costs						1,658
Income before interest and taxes						13,984
Interest						2,614
Provision for taxes						3,966
Net income						$ 7,404

	Rubber Mixing Tire Operations	Engineered Products	Unallocated	Total
Assets employed	$ 57,010	$ 60,070	$ 545	$ 117,625
Purchase of capital assets	9,189	1,786	5	10,980
Purchase of goodwill	-	16,917	-	16,917
Amortization – Goodwill	219	366	-	585
– Capital and other assets	$ 1,428	$ 1,162	$ 8	$ 2,598

SUPPLEMENTAL INFORMATION

The table segregates the results of operations of the re-organized divisions.

2000	Sales excluding Inter-Company Canada	U.S.A.	Other	Total	Inter-Company	Contribution
Rubber mixing operations	$ 42,490	$ 32,257	$ 480	$ 75,227	$ 5,190	$ 11,748
Engineered products subsidiary	23,944	29,274	2,798	56,016	1,346	2,873
Subtotal	$ 66,434	$ 61,531	$ 3,278	$ 131,243	$ 6,536	14,621
Losses of re-organized divisions						2,649
Re-organization costs (Note 13)						1,566
Unallocated administrative costs						2,281
Income before interest and taxes						8,125
Interest						3,753
Provision for taxes						1,626
Net income						$ 2,746

NOTE 13 – RE-ORGANIZATION COSTS

During the year the Company re-organized its tire division and transferred its rubber moulding operations from its facility in Michigan to Kitchener. Under the re-organization, the Michigan location was converted to a sales, service and tire assembly and distribution facility. Costs incurred in the re-organization include severances related to sales and production personnel, asset relocation costs, write-down of product development and patents and licences and start-up costs in Kitchener.

NOTE 14 – CONTINGENCIES

Legal – The Company may be contingently liable for litigation stemming from a patent infringement suit. While it is not possible to estimate the potential costs and losses, if any, management believes that the ultimate resolution will not have a material adverse effect on the consolidated financial position of the Company.

Environmental – The Company may be liable for the acquisition of certain assets at a cost of U.S. $500. The acquisition is contingent upon the vendor securing regulatory recognition of successful environmental remediation. To date this has not been completed. Management believes that the fair market value of the assets, once remediated, equal or exceed the acquisition price and that the subsequent purchase will not have a material adverse effect on the consolidated financial position of the Company.

NOTE 15 – SUBSEQUENT EVENT

Subsequent to year end, the Company secured an increase in its operating line of credit and its term debt. The operating line was increased to $27,000, under the same terms and conditions as its existing line (Note 6), and the term facility to $18,800. The additional term debt is repayable in 2002 under the same terms and conditions as the existing $3,700 term facility as described in Note 6. Proceeds from the term facility were applied to reduce the operating line.

NOTE 16 – COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

FIVE YEAR FINANCIAL HISTORY

(millions except share and per share)	2000	1999	1998	1997	1996
Value of Goods Produced and Sold	$ 159.4	$ 147.6	$ 90.7	$ 56.5	$ 16.3
Net Sales	138.0	120.1	79.4	56.2	16.3
Gross Margin	28.4	28.0	13.5	7.8	4.5
Net Income	2.7	7.4	4.6	3.3	0.7
Cash Flow	8.9	14.4	7.7	3.0	1.5
Shareholders' Equity	$ 56.5	$ 53.8	$ 34.7	$ 22.2	$ 19.2
Number of Shares Outstanding*	22,499,423	22,629,573	19,003,945	16,594,431	10,944,431
Per Common Share					
Net Income					
– Basic	0.12	0.35	0.27	0.20	0.08
– Fully Diluted	0.12	0.34	0.26	0.20	0.08
Cash Flow (weighted)**	0.39	0.67	0.46	0.22	0.14
Return on Equity	5%	17%	19%	16%	5%

*1996 - 1997 restated to reflect one-for-four consolidation in 1998.

** Based upon operating activities before changes in working capital divided by the weighted average shares outstanding during the period.

CORPORATE INFORMATION

BOARD OF DIRECTORS AND OFFICERS

P. Grenville Schoch (2)
Chairman, AirBoss of America Corp.
Aurora, Ontario

Robert L. Hagerman (1)
President, AirBoss of America Corp.
Aurora, Ontario

David A. Campbell (2)
President, Acorn Equipment Rental Inc.
Alliston, Ontario

Brian A. Robbins (1)
President and Chief Executive Officer,
Exco Technologies Limited
Aurora, Ontario

Robert L. McLeish (1) (2)
Toronto, Ontario

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.

SOLICITORS

Goodman and Carr
Toronto, Ontario

AUDITORS

PricewaterhouseCoopers LLP
Kitchener, Ontario

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services, Inc.
Toronto, Ontario

Stock Symbol Toronto Stock Exchange: BOS

Web Site address: www.airbossofamerica.com

Email Address: info@airbossofamerica.com

Our Annual Meeting is Monday, May 14, 2001
4:30 p.m. at the Toronto Board of Trade

AIRBOSS OF AMERICA CORP.

OFFICES

Canada

TORONTO — **AirBoss of America Corp.**

Corporate Office: 130 Adelaide Street West, Suite 3210, Toronto, Ontario, Canada M5H 3P5
Telephone: 416-368-BOSS (2677)
Facsimile: 416-368-4448
Chairman: P.G. (Gren) Schoch
President and Chief Executive Officer: R.L. (Bob) Hagerman
Vice-President Finance: Axel G. Breuer
Investor Relations: S.M. (Suzi) Leonard

KITCHENER — **AirBoss Rubber Compounding**

101 Glasgow Street, Kitchener, Ontario, Canada N2G 4X8
Telephone: 519-576-5565
Facsimile: 519-576-1315
Divisional President: William (Bill) Sword
Vice-President Strategic Planning: Ben Stevens
Vice-President Tire Sales and Marketing: Berkley Howard

SUBSIDIARIES

MONTREAL — **Acton International Inc. (Acton-AirBoss)**

881 Landry, Acton Vale, Québec, Canada J0H 1A0
Telephone: 450-546-2776
Facsimile: 450-546-3735
President: François Soucy
Sales Manager - Commercial Footwear: Pierre Bernier
Military Products Manager: Earl Laurie
Sales Manager - Industrial Products: Marcel Courtemanche

United States

MICHIGAN — **AirBoss Polymer Products, Corporation**

1425 Kalamazoo Street, South Haven, Michigan, U.S.A. 49090
Telephone: 616-637-2181 or 616-637-6356
Facsimile: 616-637-8955
President: Gerald M. (Jerry) Van Vlack
Sales/Customer Service: John Hagerman

MISSOURI — **AirBoss Railway Products, Inc.**

9237 Ward Parkway, Suite 206, Kansas City, Missouri, U.S.A. 64114
Telephone: 816-822-7599
Facsimile: 816-822-0150
President: Robert (Bob) Magnuson
Secretary: José Mediavilla

www.airbossofamerica.com